



MUSASHINO BANK

ANNUAL REPORT 2011

The Musashino Bank, Ltd.

Profile

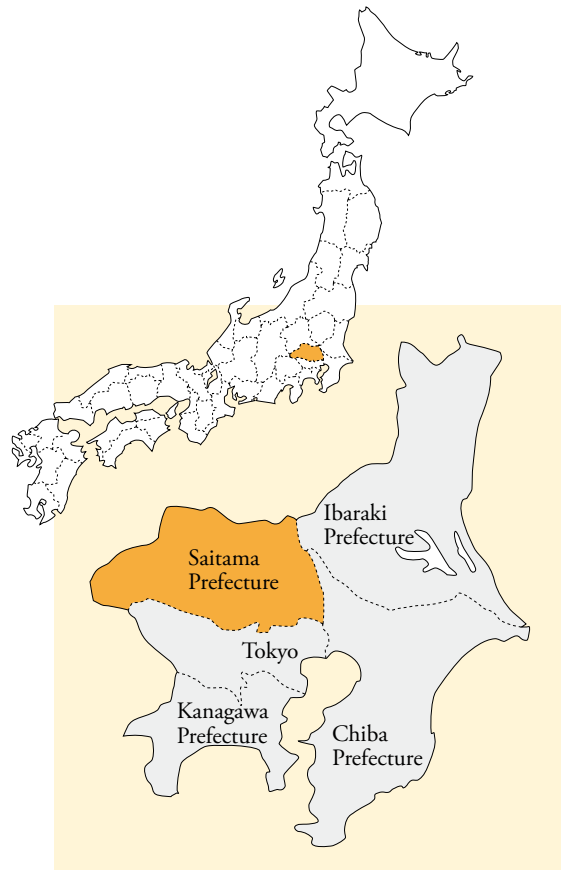
Musashino Bank is the only regional bank whose operational base consists of Saitama Prefecture. The prefecture lies immediately to the north of Tokyo, and many of its residents commute to work in the capital. Currently, 7.20 million (estimated) people live in Saitama, making it the country's fifth most populous prefecture after Tokyo, Kanagawa, Osaka, and Aichi, and the population is still climbing.

Since its establishment in 1952, Musashino Bank has been one of Saitama Prefecture's core financial institutions, and has played a major role in supporting the development of the regional economy and local industries.

The Bank's paid-in capital as of March 31, 2011, stood at ¥45.7 billion, with total assets of ¥3,681.0 billion, a balance of deposits (excluding CDs) of ¥3,447.1 billion and a balance of loans of ¥2,794.9 billion. The Bank has 91 branches, of which 89 are inside Saitama Prefecture, and a workforce of 2,104.



Head Office



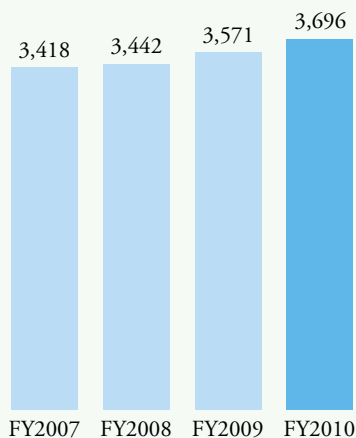
Consolidated Financial Highlights

The Musashino Bank, Ltd. and Consolidated Subsidiaries Years Ended March 31, 2011 and 2010

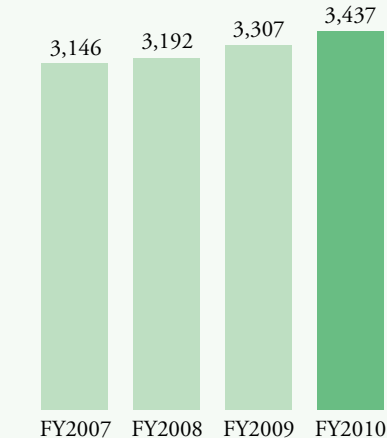
| | Millions of Yen | | Thousands of U.S. Dollars* |
|------------------------------------------------------------|-----------------|------------|----------------------------|
| | 2011 | 2010 | 2011 |
| At Year-end | | | |
| Total Assets | ¥3,696,211 | ¥3,571,535 | \$44,452,334 |
| Deposits | 3,437,747 | 3,307,357 | 41,343,921 |
| Loans and Bills Discounted | 2,785,295 | 2,715,108 | 33,497,241 |
| Trading Account Securities and Investment Securities | 644,854 | 569,966 | 7,755,318 |
| Total Net Assets | 160,718 | 156,687 | 1,932,869 |
| Capital Ratio (based on domestic standards) (%) | 10.79 | 10.58 | |
| For the Year | | | |
| Total Income | ¥ 81,938 | ¥ 86,894 | \$ 985,431 |
| Total Expenses | 67,372 | 79,294 | 810,257 |
| Income before Income Taxes | 14,565 | 7,600 | 175,174 |
| Net Income for Year | 7,443 | 3,554 | 89,516 |

* U.S. dollar figures have been translated at the rate ¥83.15 to U.S.\$1, the prevailing market rate as of March 31, 2011.

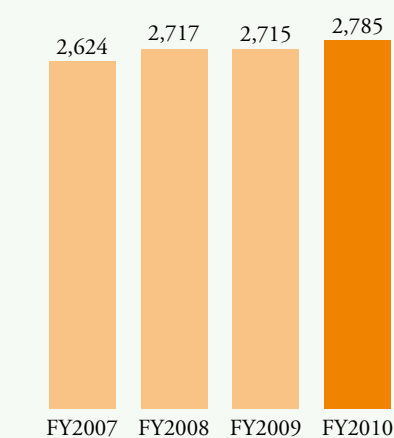
Total Assets
(¥ billion)



Deposits
(¥ billion)



Loans and Bills Discounted
(¥ billion)





Kikuo Kato
President

Economic Trends

During fiscal 2010, the Japanese economy showed signs of recovery in the first half due to the economic stimulus effects of favorable exports, mainly to Southeast Asia, lower taxes on eco-cars, the eco-point system (a government subsidy program to promote the use of energy efficient products), and other factors. Subsequently, despite the slow recovery of the European and U.S. economies and the standstill caused by the ongoing appreciation of the yen, both exports and production turned around buoyed by U.S. financial and fiscal policies.

Nevertheless, the electric power outages and supply chain disruption caused by the Great East Japan Earthquake that struck in March 2011, has had a negative economic effect that has resulted in a growing sense of uncertainty about the future.

Although production, which had been on an upswing for automobiles, electronic parts, and other products, was a standstill up to the middle of the year, and capital investments and home construction remained at low levels, the economy of Saitama Prefecture overall showed signs of recovery with consumer spending becoming stable after bottoming out.

As for the future outlook of Saitama Prefecture, in the first half of fiscal 2011, production activities and consumer spending in particular are expected to grow weaker due to the effects of the Great East Japan Earthquake. However, in the second half, home investments and public spending for the reconstruction of earthquake-stricken areas should move into full swing. The economy of Saitama Prefecture, the gateway to the Tohoku Region, is expected to turnaround and the supply chain restored.

As Saitama Prefecture's population continues to increase, the market continues to grow. Further development of the local economy is expected through the support and fostering of industries with future growth prospects such as the environmental, medical, nursing care, and health fields.

Year ended March 31, 2011

Deposits and assets in custody

Deposits and assets in custody grew steadily during the year under review, rising ¥127.1 billion year on year, to ¥3,427.6 billion. Assets in custody grew by ¥29.5 billion, to ¥540.1 billion, driven by our efforts to meet the diverse asset management needs of our customers, through investment trusts, JGBs, and pension products.

Loans

Loans outstanding increased ¥71.5 billion, to ¥2,794.9 billion due to active efforts to respond to the needs of local businesses within the prefecture and to individual customers.

Earnings

Amid weak demand for funds and continuing low interest rates, the Bank was able to raise earnings with recurring income of ¥12.6 billion and net income of ¥7.3 billion. The increase was primarily due to efforts made to better manage loaned money and securities investments, improve the profitability of such service transactions as fee and commission income, and control expenses, and to a substantial decrease in bad debt disposal expenses. On a consolidated basis, recurring income came to ¥13.7 billion and net income was ¥7.4 billion.

Capital ratio

The Bank's capital ratio for fiscal 2010 stayed at the healthy level of 10.79% (consolidated basis), slightly higher than the non-consolidated figure of 10.67%.

Medium-Term Management Plan

The Bank is now implementing its medium-term management plan, NEW PROJECT 60, with the goal of becoming the most trusted and top-ranked bank in the region. In this plan, we aim to position ourselves as “a strong bank that survives,” “a bank with presence” and “a bank that is trusted,” as well as striving to be “ready for business promotion reforms,” “strengthening human resource development,” and “establishing efficient operating conditions and strengthening internal controls.”

Looking back on the first year of the plan, we achieved steady results and felt a definite positive response thanks to the Bank's sincere practice of community-based finance as we move toward the realization of our goal.

Response to the Great East Japan Earthquake

Nearly 70% of the companies in Saitama Prefecture were directly or indirectly affected by the earthquake disaster. To assist those customers affected by the disaster, we began offering the Musashino Disaster Reconstruction Support Loan, and to facilitate the flow of funds, we established the Disaster Victim Consultation Counter, which carefully responds to customer inquiries.

With nearly 3,000 earthquake victims in Saitama Prefecture, including those from Futaba Town in Fukushima Prefecture, the Bank began quickly refunding deposits to customers in devastated areas on behalf of other financial institutes. Currently, we have refunded deposits to earthquake victims on behalf of 22 financial institutions, many of whom have expressed tremendous gratitude.

In addition to these efforts, the Musashino Bank Group has donated financially and sent relief aid to the stricken areas.

With regard to electricity-saving measures in the wake of power supply shortages during the summer, the Group has actively undertaken a variety of measures to save electricity following power supply shortages during the summer months.

Together with the people of Saitama

The Bank will commemorate its 60th anniversary in April 2012. Since its founding in 1952, the Bank has received tremendous local support from many customers in Saitama Prefecture, and is walking together with the prefecture's citizens. As a regional financial institution, we will continue to build strong relationships with our customers with the goal of raising customer trust and satisfaction through strict compliance. We will also respond flexibly and appropriately to drastic changes in the economic environment, build an efficient system of business development to achieve sustained growth, and focus on strengthening the organization and training personnel.

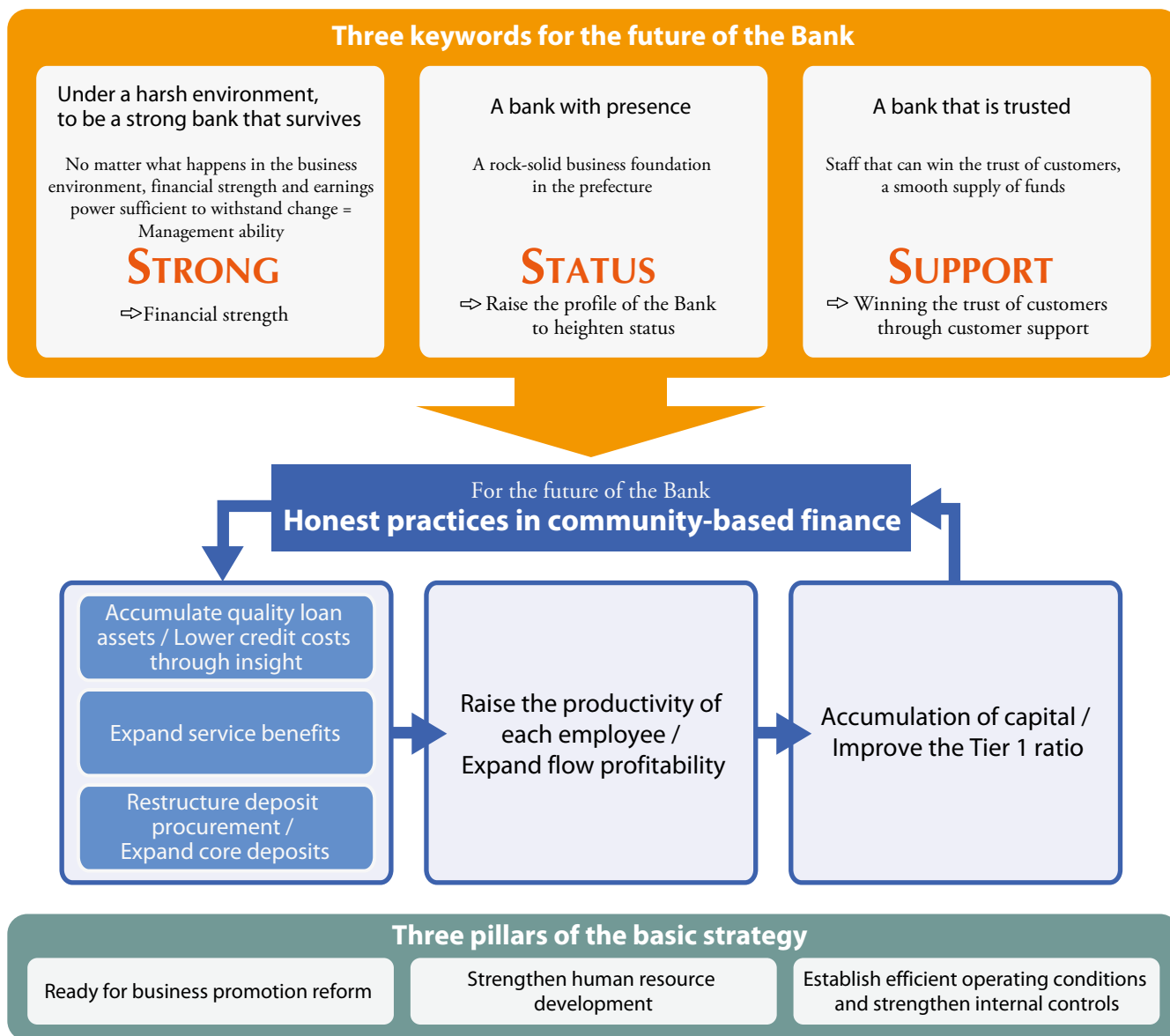
Through these efforts, we will establish a competitive business structure and together all of our employees will make their utmost effort to meet the expectations of our regions' customers.

We thank you for your unwavering and ongoing support.

Kikuo Kato
President



● Plan course of action



● Target figures

| | Fiscal 2009 | Fiscal 2012 target |
|---------------------------------------|---------------|----------------------------------------|
| Net profit on core banking operations | ¥21.1 billion | ¥22.0 billion |
| Net profit | ¥4.1 billion | ¥10.0 billion |
| Capital adequacy ratio | 10.5% | Around 10.5% (Tier 1 ratio approx. 8%) |
| ROE | 2.78% | 6.0% |
| Non-performing loan ratio | 2.53% | 1% level |

(Guidelines)

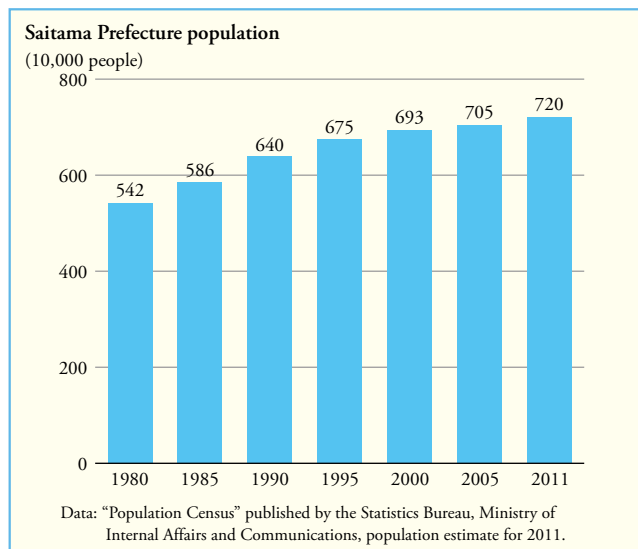
Balance of loans +¥200.0 billion (annual rate of 2.5%)

Balance of deposits +¥300.0 billion (annual rate of 3%)

Balance of assets in custody +¥150.0 billion (annual rate of 10%)

1. The Huge Tokyo Area Market and Continuing Population Growth

Saitama Prefecture, which borders Tokyo and six prefectures, is located in the heart of the huge market comprising the Tokyo metropolitan area, in which lives one-third of the population of Japan (approximately 40 million people). While urbanization and industrialization are progressing in Saitama Prefecture due to the great convenience gained from being next to Tokyo, the population has grown consistently thanks to an abundance of nature and a comfortable living environment. (7.2 million people as of April 2011)



2. Development of transportation system

1) Road traffic network

With the Kan'etsu, Tohoku, and Joban expressways traversing north to south and the Tokyo Gaikan Expressway traversing east to west, traffic in Saitama is strategically positioned.

2) Enhancement of railway network

With our head office based in Omiya, the Bank is directly connected to major cities via the Tohoku, Akita, Yamagata, Joetsu, and Nagano Shinkansen (bullet train) network.

3. Collection of diverse manufacturing industries

1) Diverse manufacturing industries

Saitama has a diversity of local industries with the automotive-related industry at its core. (e.g., molds and castings in Kawaguchi City, optical equipment in Saitama City, etc.)

2) Aggressive development by attracting companies to Saitama Prefecture

From April 2007 through March 2009, we rolled out the "Chancemaker Saitama Strategy" with the goal of attracting 120 companies into Saitama Prefecture, but wound up attracting 192 companies (72 more than our goal). Moreover, with the goal of attracting an additional 100 companies to Saitama, we initiated Chancemaker Saitama Strategy II, which covers the period from April 2010 through March 2012.

4. Concentration of Universities and Research Institutes

More than 250 research institutes and 59 college campuses are located in Saitama Prefecture. The Bank has formed alliances with seven universities as part of its commitment to meeting customer needs in areas such as research and development and management issue resolution through cooperation with industry and academia.

Economic and financial position of Saitama Prefecture

- Number of companies (2006)
248,000 companies (5th among the 47 prefectures)
- Total prefecture production (nominal) (2007)
¥21,108.0 billion (5th among the 47 prefectures)
- Value of product shipments (2008)
¥14,947.5 billion (7th among the 47 prefectures)

Corporate Social Responsibility (Main Initiatives)

Under its management principles of “regional harmony” and “respect for the customer,” the Musashino Bank recognizes that achieving sustained growth while gaining the understanding, empathy, trust and support of all people within the Bank’s operational sphere, including shareholders and investors, as well as customers, the community and employees, is its social responsibility as a good corporate citizen.

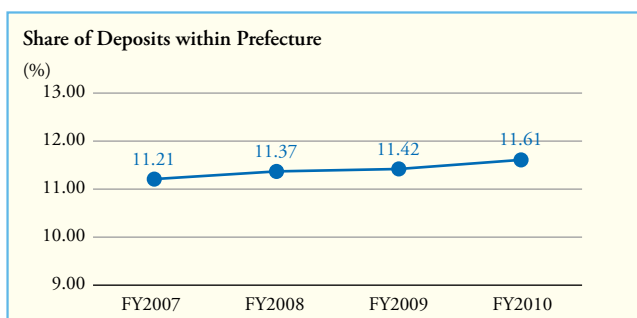
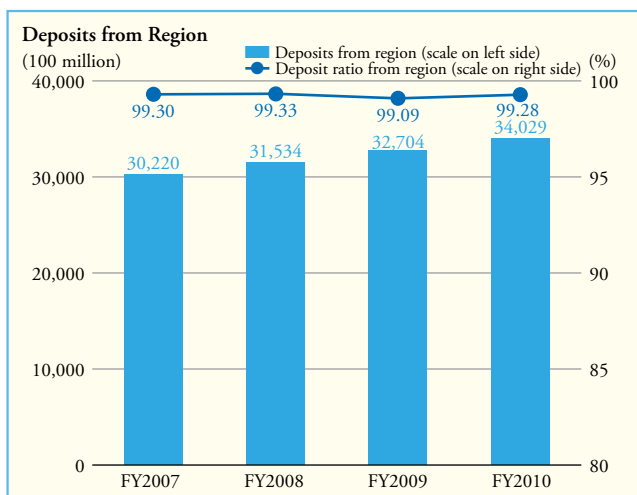
Having positioned the strengthening of CSR initiatives as a key strategy in its medium-term management plan “NEW PROJECT 60,” the Musashino Bank is contributing to the regional economy and local community while carrying out environment-friendly initiatives far and wide.

Contributing to the Local Economy

Deposits from region

In response to the lifestyles of our regions’ customers, the Bank is enhancing its products and services so that customers can use them with peace of mind.

As a result of these efforts, deposits from the region as of March 31, 2011 climbed ¥132.5 billion, to ¥3,402.9 billion. Moreover, the ratio of deposits from region rose 0.19 percentage points, to 99.28%, continuing to maintain its level at 99%. As a result of the steady increase in deposits from region, the Bank’s share of deposits within prefecture as of March 31, 2011, rose 0.19 percentage points, to 11.61%.



Loans to region

In response to the lifestyles of our regions’ customers, the Bank has prepared a variety of individual loans in order to support a wide range of financial planning.

Further, in all of Japan, Saitama Prefecture is most favorably situated for the best transportation access, has the most new housing starts, and a home-buyer segment comprised mainly of 35 to 40-year old children of baby-boomers. For these reasons, we have enhanced our home loan products and upgraded our home loan promotion system so that customers can use them with greater convenience.

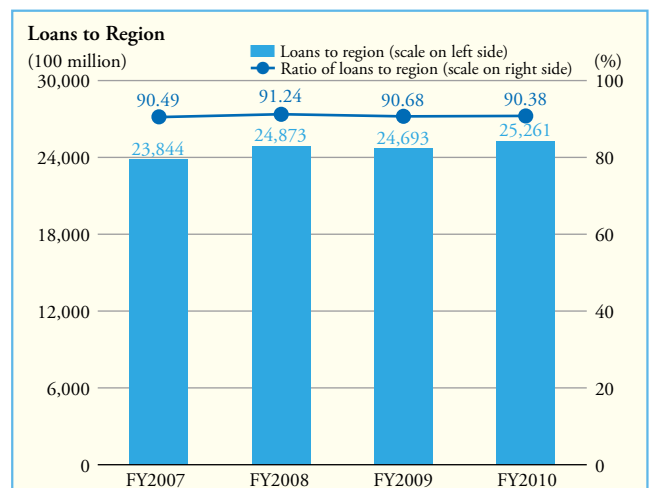
As a result, the balance of individual loans as of March 31, 2011 increased ¥58.9 billion, to ¥1,190.0 billion.

In addition, we are contributing to the sustainable development of the region by providing a stable flow of funds to SMEs and individual business owners, the pillars of Saitama Prefecture’s regional economy.

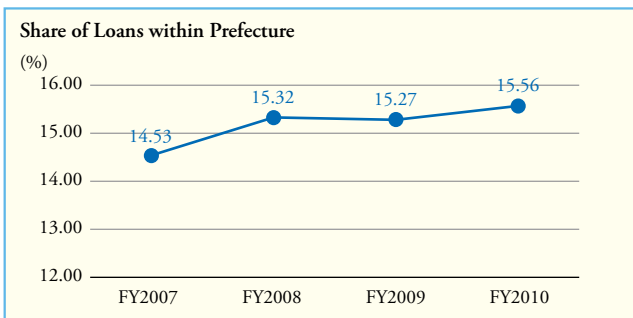
Specifically, corporate managers and sales managers are aggressively pursuing new business development and consulting activities so that customers only use those products of the Bank that meet their needs.

In our head office, we have assigned specialists to be in charge of the medical, public welfare and agricultural fields, new growth fields in Saitama Prefecture, and we are supporting these fields and making them our strengths.

In addition, we are actively promoting collaboration with outside professional agencies in various areas of work, such as leveraging local information including business matching services that provide financial services tailored to companies’ life-cycles, assisting companies enter overseas markets and helping companies go public, and forging deeper business relations with local public agencies. As a result, loans to the region as of March 31, 2011 increased ¥56.8 billion, to ¥2,526.1 billion, for a loan to region ratio of ¥90.38%. The Bank’s share of loans in the prefecture rose 0.29 percentage points to 15.56%.



Corporate Social Responsibility (Main Initiatives)



Supporting Alliances with Industry and Universities

The Bank has formed alliances with seven universities as part of its commitment to meeting customer needs in areas such as research and development and management issue resolution through cooperation with industry and academia. The special characteristic of the Bank's alliance with industry and academia goes beyond the needs of individual customers, and, through our alliance with Rikkyo University, seeks the tourism revitalization of Saitama Prefecture as a regional development activity.

Initiatives for New Growth Fields

The Bank has set up an agriculture team to strengthen support for agriculture-related businesses. To actively meet the funding needs of farmers, the Bank offers the Musashino Hanamizuki, a loan solely for farmers, and has concluded a loan guarantee agreement with the Saitama Agriculture Credit Guarantee Fund Association.

In addition, we concluded a business cooperation agreement for the agriculture and livestock industries with Japan Finance Corporation with the goal of revitalizing the agriculture and livestock industries, promoting local production for local consumption, and improving training of leaders in the agricultural field within Saitama Prefecture.

We are also conducting solution sales through Bugin Farming Wall, a Bank-held seminar that promotes training and assistance to farmers and exchanges between food-related businesses, and Regional Bank



Food Selection, a large business forum. These efforts have led to the commercialization of farm crops, and in some cases best-selling products. As a result of these agricultural initiatives, we received an award from the Kanto Finance Bureau.



Support for Corporate Rehabilitation

To provide specialized support to client companies that seek corporate rehabilitation, we established the Corporate Management Support Office in the Credit Division, which offers help with advice on management analytics and improvement policies and support for compiling business improvement plans. Further, we assist in corporate rehabilitation and management improvement based on the circumstances of each individual client company in collaboration with the Saitama SME Support Council and outside consulting companies.

In fiscal 2010, in light of the "Act Concerning Temporary Measures to Facilitate Financing for SMEs, etc." we actively supported the management improvement of client companies that have changed their borrowing conditions. We have expanded the scope of the companies we support and are working closely with clients by helping them formulate management improvement plans using our proprietary Management Plan Formulation Support System, providing them with counseling and reviewing their management improvement plans and continuously monitoring the progress of those plans.

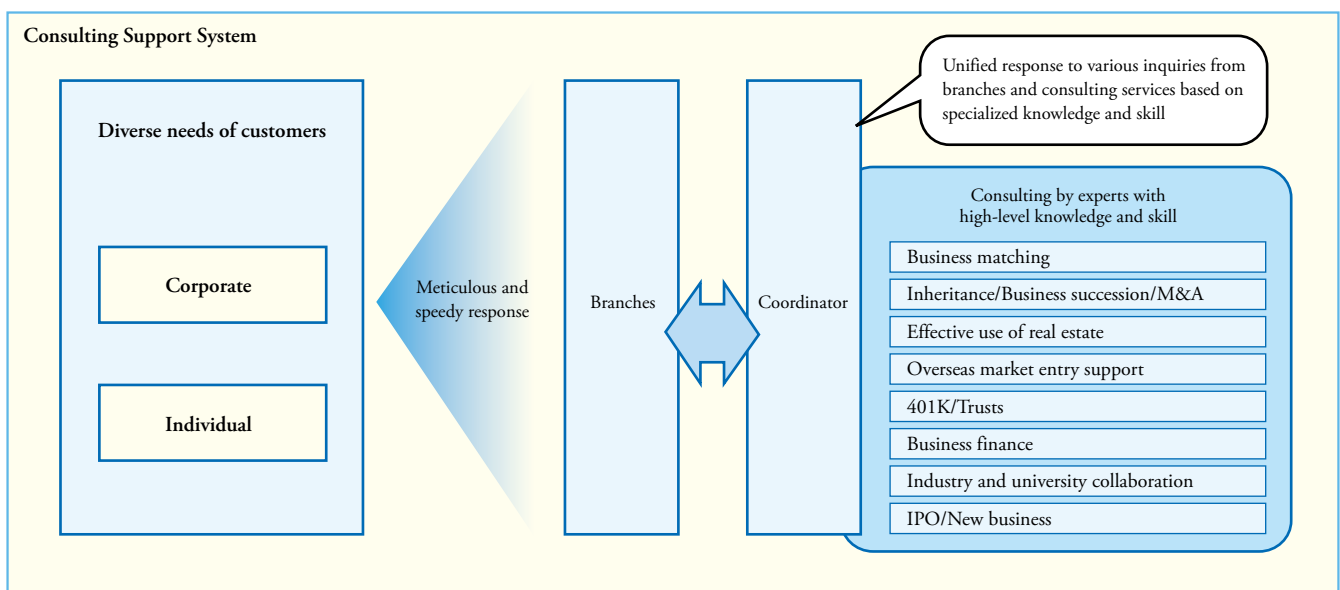
The Bank continues to demonstrate its consulting capabilities and support client companies in order to facilitate their business rehabilitation.

Corporate Social Responsibility (Main Initiatives)

Strengthen the consulting system

- 1) Approaches to inheritance and business succession
To respond to customers' inheritance and business succession needs, we are collaborating with outside professional institutions such as tax accounting firms, of which our head office staff with their specialized knowledge is a business partner, and providing inheritance and business succession consulting services.
- 2) Assisting companies enter overseas markets
The entry of SMEs into overseas markets (globalization) in the wake of economic growth in China and Southeast Asia has become commonplace. To support these companies, we are providing information about countries, business customs, and other areas to companies that want to establish factories and bases overseas.
- 3) Meeting M&A needs
While responding to the various merger and acquisition needs, such as for business succession (absence of a successor), business expansion, and diversification, of SMEs in Saitama Prefecture, we are contributing to the survival and growth of SMEs in the region and developing the regional economy. The Bank has concluded M&A business agreements with six outside professional agency partners including the Saitama Certified Public Tax Accountant Cooperative Society.

- 4) Handling electronically recorded monetary claim rebates
In response to diversifying customer financing needs, the Bank is participating in the Electronic Settlement Service provided by the Japan Electronic Monetary Claim Organization, a wholly owned subsidiary of The Bank of Tokyo-Mitsubishi UFJ, Ltd. We are the first financial institution in Saitama Prefecture to initiate an electronically recorded monetary claim (electronic promissory note) rebate service.
- 5) Other
The Bank responds to requests for consultations involving business problems such as expansion of sales channels while leveraging the know-how of outside institutions that our head office staff and branch staff, which have specialized knowledge, are partnered with. Further, we operate the Bugin Managers' Club, which provides various information support services including the publication of an in-house journal loaded with business information for members and the sponsorship of seminars.



Corporate Social Responsibility (Main Initiatives)

Contributing to the Local Community

Measures to Prevent Financial Crime

Damage caused by bank transfer fraud, cash card forgery and theft, illicit internet access and other financial crimes is increasing. With a unit in charge of responding to financial crime, the Bank is working to prevent damage caused by financial crime by assigning two individuals to work in the General Affairs Division as security officers.

Supporting Educational Programs

(Supporting Financial Education)

As a part of our education support program, the Bank conducts workplace observation tours and on-site training for children who are the bearers of the country's future. In August 2011, we participated in Saitama Prefecture Youngsters Bridge of Dreams Business sponsored by Saitama Prefecture and provided opportunities for youngsters to learn and experience.



(Fostering a Work Awareness)

To help foster a work awareness among students, we provide internships for college students in cooperation with Musashino Bank and Bugin Economic Research Institute, Ltd., a Group company. As part of this program, the students are taught about the banking business, given a tour of our head office, and visit companies. This provides students with an opportunity to understand the work performed by bank staff.



The Environment

Helping Preserve the Environment through Banking Services

As a regional financial provider, the Bank has a range of services for customers who show environmental commitment, helping them reduce costs and offering support in their environmental initiatives.

Environmental Education for Employees (the only environmental program offered by a regional bank)

In 2008, in cooperation with the Ecosystem Conservation Society, we began holding the "Bugin Environmental College" to help employees acquire knowledge about preserving the natural environment and conserving the ecosystem. The fifth semester of this course began in July 2011.

The college meets for nine sessions and when the courses are completed the employees can receive "Ecosystem Instructor - 2nd Level" certification from the Ecosystem Conservation Society (as of June 2011, 77 certifications had been issued).

In addition, new bank employees who joined Musashino Bank in 2011, in cooperation with the Ecosystem Conservation Society and the Association for Arakawa Nature Conservation, an NPO, conducted natural environment preservation activities, which included the disinfesting of alien plants on the Arakawa River bed (Mitsumata-numa Biotope).



Consolidated Balance Sheets

The Musashino Bank, Ltd. and Consolidated Subsidiaries As of March 31, 2011 and 2010

| | Millions of Yen | | Thousands of U.S. Dollars* |
|------------------------------------------------------------|-------------------|-------------------|-------------------------------|
| | 2011 | 2010 | 2011 |
| Assets | | | |
| Cash and due from banks..... | ¥ 132,046 | ¥ 48,068 | \$ 1,588,050 |
| Call loans | 40,602 | 131,364 | 488,304 |
| Commercial paper and other debt purchased | 10,704 | 13,887 | 128,736 |
| Trading account securities..... | 501 | 429 | 6,032 |
| Money held in trust..... | 1,489 | 1,500 | 17,914 |
| Investment securities | 644,353 | 569,536 | 7,749,286 |
| Loans and bills discounted | 2,785,295 | 2,715,108 | 33,497,241 |
| Foreign exchanges | 2,407 | 2,104 | 28,953 |
| Lease receivables and lease investment assets..... | 14,901 | 16,151 | 179,214 |
| Other assets..... | 21,757 | 27,876 | 261,667 |
| Tangible fixed assets..... | 35,077 | 35,435 | 421,856 |
| Intangible fixed assets..... | 2,672 | 2,039 | 32,141 |
| Deferred income taxes assets..... | 18,068 | 20,936 | 217,296 |
| Customers' liabilities for acceptances and guarantees..... | 10,659 | 12,200 | 128,194 |
| Reserve for possible loan losses | (24,326) | (25,106) | (292,557) |
| Total assets..... | ¥3,696,211 | ¥3,571,535 | \$44,452,334 |
| Liabilities | | | |
| Deposits | ¥3,437,747 | ¥3,307,357 | \$41,343,921 |
| Borrowed money..... | 26,726 | 28,218 | 321,420 |
| Foreign exchanges | 81 | 172 | 982 |
| Bonds..... | 18,000 | 18,000 | 216,476 |
| Other liabilities | 27,980 | 35,395 | 336,505 |
| Reserve for employees' bonuses | 1,276 | 1,273 | 15,357 |
| Reserve for directors' bonuses..... | 15 | 22 | 189 |
| Reserve for employees' retirement benefits | 5,688 | 5,706 | 68,410 |
| Reserve for directors' retirement benefits..... | 281 | 324 | 3,391 |
| Reserve for loss on interest refunded..... | 100 | 88 | 1,202 |
| Reserve for reimbursement of dormant deposits | 329 | 383 | 3,966 |
| Reserve for point loyalty programs | 58 | 60 | 699 |
| Reserve for contingent losses | 908 | — | 10,926 |
| Deferred income taxes liability on land revaluation | 5,639 | 5,641 | 67,819 |
| Acceptances and guarantees..... | 10,659 | 12,200 | 128,194 |
| Total liabilities..... | ¥3,535,493 | ¥3,414,847 | \$42,519,464 |
| Net assets | | | |
| Common stock | ¥ 45,743 | ¥ 45,743 | \$ 550,137 |
| Capital surplus | 38,351 | 39,438 | 461,229 |
| Retained earnings..... | 66,407 | 61,296 | 798,648 |
| Treasury stock..... | (900) | (2,050) | (10,826) |
| Total shareholders' equity..... | 149,602 | 144,428 | 1,799,188 |
| Unrealized gain on available-for-sale securities..... | 1,381 | 3,143 | 16,615 |
| Deferred loss under hedge accounting | (1,477) | (1,639) | (17,771) |
| Land revaluation excess | 6,951 | 6,955 | 83,604 |
| Total valuation and translation adjustments | 6,855 | 8,458 | 82,448 |
| Minority interests..... | 4,260 | 3,800 | 51,232 |
| Total net assets | 160,718 | 156,687 | 1,932,869 |
| Total liabilities and net assets | ¥3,696,211 | ¥3,571,535 | \$44,452,334 |

* U.S. dollar figures have been translated at the rate ¥83.15 to U.S.\$1, the prevailing market rate as of March 31, 2011.

Consolidated Statements of Income and Comprehensive Income

The Musashino Bank, Ltd. and Consolidated Subsidiaries For the Years Ended March 31, 2011 and 2010

| Consolidated Statements of Income | Millions of Yen | | Thousands of U.S. Dollars* |
|----------------------------------------------|-----------------|----------------|-------------------------------|
| | 2011 | 2010 | 2011 |
| Income | | | |
| Interest income: | | | |
| Interest on loans and discounts | ¥50,517 | ¥52,722 | \$607,545 |
| Interest and dividends on securities..... | 7,303 | 6,560 | 87,832 |
| Other interest income..... | 260 | 393 | 3,129 |
| Fees and commissions | 9,760 | 9,280 | 117,385 |
| Other operating income | 3,163 | 5,156 | 38,044 |
| Other income..... | 10,933 | 12,780 | 131,493 |
| Total income..... | 81,938 | 86,894 | 985,431 |
| Expenses | | | |
| Interest expenses: | | | |
| Interest on deposits..... | 3,680 | 6,187 | 44,265 |
| Interest on borrowings and rediscounts..... | 373 | 464 | 4,488 |
| Other interest expenses | 2,281 | 2,085 | 27,442 |
| Fees and commissions | 4,055 | 3,924 | 48,772 |
| Other operating expenses | 2,180 | 3,452 | 26,222 |
| General and administrative expenses | 37,137 | 37,833 | 446,631 |
| Other expenses..... | 17,663 | 25,345 | 212,434 |
| Total expenses..... | 67,372 | 79,294 | 810,257 |
| Income before income taxes | 14,565 | 7,600 | 175,174 |
| Income taxes | | | |
| Current | 2,673 | 5,332 | 32,154 |
| Deferred..... | 3,972 | (1,655) | 47,775 |
| | 6,646 | 3,677 | 79,930 |
| Minority interests | 476 | 368 | 5,727 |
| Net income for year..... | ¥ 7,443 | ¥ 3,554 | \$ 89,516 |
| Net income per share (yen and dollars) | ¥219.44 | ¥104.82 | \$ 2.63 |

* U.S. dollar figures have been translated at the rate ¥83.15 to U.S.\$1, the prevailing market rate as of March 31, 2011.

| Consolidated Statements of Comprehensive Income | Millions of Yen | | Thousands of U.S. Dollars* |
|-------------------------------------------------|-----------------|------|-------------------------------|
| | 2011 | 2010 | 2011 |
| Income before minority interests | ¥7,919 | ¥— | \$95,243 |
| Other comprehensive income: | | | |
| Net unrealized losses on securities..... | (1,774) | — | (21,346) |
| Unrealized gains on hedging derivatives..... | 162 | — | 1,950 |
| Total other comprehensive income..... | (1,612) | — | (19,396) |
| Comprehensive income..... | ¥6,306 | ¥— | \$75,847 |
| Comprehensive income attributable to: | | | |
| Shareholders of the Company | ¥5,843 | ¥— | \$70,276 |
| Minority interests | 463 | — | 5,571 |

* U.S. dollar figures have been translated at the rate ¥83.15 to U.S.\$1, the prevailing market rate as of March 31, 2011

Consolidated Statements of Changes in Net Assets

The Musashino Bank, Ltd. and Consolidated Subsidiaries For the Years Ended March 31, 2011 and 2010

| | Millions of Yen | | Thousands of U.S. Dollars* |
|--------------------------------------------------|-----------------|-----------|-------------------------------|
| | 2011 | 2010 | 2011 |
| Shareholders' equity | | | |
| Common stock | | | |
| Balance at end of previous year..... | ¥ 45,743 | ¥ 45,743 | \$ 550,137 |
| Changes during the accounting period | — | — | — |
| Balance at end of year..... | ¥ 45,743 | ¥ 45,743 | \$ 550,137 |
| Capital surplus | | | |
| Balance at end of previous year..... | ¥ 39,438 | ¥ 39,438 | \$ 474,305 |
| Changes during the accounting period: | | | |
| Disposition of treasury stock..... | (412) | (0) | (4,964) |
| Other changes..... | (674) | — | (8,112) |
| Total changes during the accounting period | (1,087) | (0) | (13,076) |
| Balance at end of year..... | ¥ 38,351 | ¥ 39,438 | \$ 461,229 |
| Retained earnings | | | |
| Balance at end of previous year..... | ¥ 61,296 | ¥ 59,776 | \$ 737,182 |
| Changes during the accounting period: | | | |
| Cash dividends | (2,034) | (2,034) | (24,469) |
| Net income..... | 7,443 | 3,554 | 89,516 |
| Other changes..... | (297) | — | (3,581) |
| Total changes during the accounting period | 5,110 | 1,520 | 61,465 |
| Balance at end of year..... | ¥ 66,407 | ¥ 61,296 | \$ 798,648 |
| Treasury stock | | | |
| Balance at end of previous year..... | ¥ (2,050) | ¥ (2,042) | \$ (24,662) |
| Changes during the accounting period: | | | |
| Purchase of treasury stock..... | (841) | (9) | (10,122) |
| Disposition of treasury stock..... | 1,016 | 1 | 12,221 |
| Other changes..... | 975 | — | 11,736 |
| Total changes during the accounting period | 1,150 | (8) | 13,835 |
| Balance at end of year..... | ¥ (900) | ¥ (2,050) | \$ (10,826) |
| Total shareholders' equity | | | |
| Balance at end of previous year..... | ¥144,428 | ¥142,916 | \$1,736,963 |
| Changes during the accounting period: | | | |
| Cash dividends | (2,034) | (2,034) | (24,469) |
| Net income..... | 7,443 | 3,554 | 89,516 |
| Purchase of treasury stock..... | (841) | (9) | (10,122) |
| Disposition of treasury stock..... | 603 | 0 | 7,256 |
| Other changes..... | 3 | — | 42 |
| Total changes during the accounting period | 5,173 | 1,511 | 62,224 |
| Balance at end of year..... | ¥149,602 | ¥144,428 | \$1,799,188 |

* U.S. dollar figures have been translated at the rate ¥83.15 to U.S.\$1, the prevailing market rate as of March 31, 2011.

| | Millions of Yen | | Thousands of U.S. Dollars* |
|----------------------------------------------------------------|-----------------|-----------|-------------------------------|
| | 2011 | 2010 | 2011 |
| Accumulated other comprehensive income | | | |
| Unrealized gain (loss) on available-for-sale securities | | | |
| Balance at end of previous year..... | ¥ 3,143 | ¥ (3,990) | \$ 37,806 |
| Changes during the accounting period: | | | |
| Net change in items other than shareholders' equity | (1,761) | 7,133 | (21,190) |
| Total changes during the accounting period | (1,761) | 7,133 | (21,190) |
| Balance at end of year..... | ¥ 1,381 | ¥ 3,143 | \$ 16,615 |
| Deferred loss under hedge accounting | | | |
| Balance at end of previous year..... | ¥ (1,639) | ¥ (1,414) | \$ (19,722) |
| Changes during the accounting period: | | | |
| Net change in items other than shareholders' equity | 162 | (225) | 1,950 |
| Total changes during the accounting period | 162 | (225) | 1,950 |
| Balance at end of year..... | ¥ (1,477) | ¥ (1,639) | \$ (17,771) |
| Land revaluation excess | | | |
| Balance at end of previous year..... | ¥ 6,955 | ¥ 6,955 | \$ 83,647 |
| Changes during the accounting period: | | | |
| Net change in items other than shareholders' equity | (3) | — | (42) |
| Total changes during the accounting period | (3) | — | (42) |
| Balance at end of year..... | ¥ 6,951 | ¥ 6,955 | \$ 83,604 |
| Accumulated other comprehensive income | | | |
| Balance at end of previous year..... | ¥ 8,458 | ¥ 1,550 | \$ 101,731 |
| Changes during the accounting period: | | | |
| Net change in items other than shareholders' equity | (1,603) | 6,908 | (19,283) |
| Total changes during the accounting period | (1,603) | 6,908 | (19,283) |
| Balance at end of year..... | ¥ 6,855 | ¥ 8,458 | \$ 82,448 |
| Minority interests | | | |
| Balance at end of previous year..... | ¥ 3,800 | ¥ 3,328 | \$ 45,706 |
| Changes during the accounting period: | | | |
| Net change in items other than shareholders' equity | 459 | 471 | 5,526 |
| Total changes during the accounting period | 459 | 471 | 5,526 |
| Balance at end of year..... | ¥ 4,260 | ¥ 3,800 | \$ 51,232 |
| Total net assets | | | |
| Balance at end of previous year..... | ¥156,687 | ¥147,795 | \$1,884,401 |
| Changes during the accounting period: | | | |
| Cash dividends | (2,034) | (2,034) | (24,469) |
| Net income..... | 7,443 | 3,554 | 89,516 |
| Purchase of treasury stock..... | (841) | (9) | (10,122) |
| Disposition of treasury stock..... | 603 | 0 | 7,256 |
| Other changes..... | 3 | — | 42 |
| Net change in items other than shareholders' equity | (1,143) | 7,380 | (13,756) |
| Total changes during the accounting period | 4,030 | 8,892 | 48,468 |
| Balance at end of year..... | ¥160,718 | ¥156,687 | \$1,932,869 |

* U.S. dollar figures have been translated at the rate ¥83.15 to U.S.\$1, the prevailing market rate as of March 31, 2011.

Consolidated Statements of Cash Flows

The Musashino Bank, Ltd. and Consolidated Subsidiaries For the Years Ended March 31, 2011 and 2010

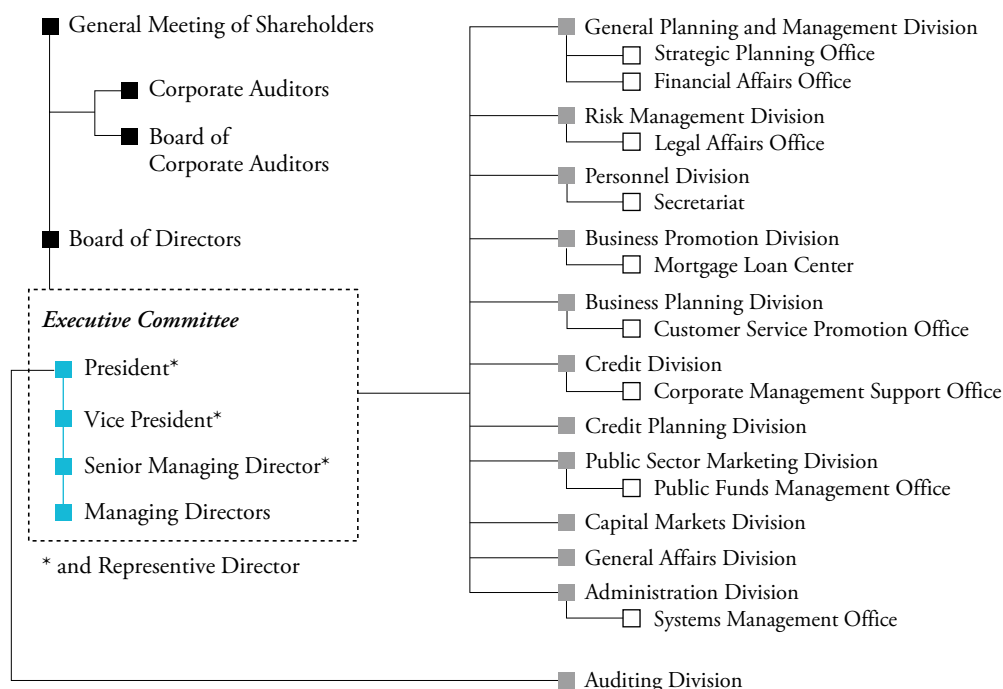
| | Millions of Yen | | Thousands of U.S. Dollars* |
|-------------------------------------------------------------------------------------------|-----------------|-----------|-------------------------------|
| | 2011 | 2010 | 2011 |
| Cash flows from operating activities | | | |
| Income before income taxes | ¥ 14,565 | ¥ 7,600 | \$ 175,174 |
| Depreciation | 2,488 | 2,525 | 29,922 |
| Impairment losses..... | 16 | 12 | 194 |
| Amortization of negative goodwill..... | 18 | 9 | 96 |
| Increase (decrease) in reserve for possible loan losses..... | (780) | 282 | (9,389) |
| Increase (decrease) in reserve for employees' bonuses..... | 3 | (71) | 40 |
| Increase (decrease) in reserve for directors' bonuses | (6) | 3 | (80) |
| Decrease in reserve for employees' retirement benefits..... | (18) | (20) | (217) |
| Increase (decrease) in reserve for directors' retirement benefits | (43) | 75 | (517) |
| Increase in reserve for loss on interest refunded | 11 | 10 | 133 |
| Increase (decrease) in reserve for reimbursement of dormant deposits.... | (53) | 56 | (647) |
| Decrease in reserve for point loyalty programs..... | (2) | (3) | (28) |
| Increase in reserve for contingent losses | 908 | — | 10,926 |
| Interest income | (58,080) | (59,676) | (698,507) |
| Interest expenses..... | 6,335 | 8,738 | 76,196 |
| Gain on investment securities..... | 2,976 | 1,231 | 35,800 |
| Loss (gain) on money held in trust | 8 | (4) | 101 |
| Foreign exchanges loss (gain)..... | 405 | (540) | 4,881 |
| Loss on disposition of fixed assets..... | 48 | 33 | 586 |
| Net decrease (increase) in trading account securities..... | (72) | 855 | (869) |
| Net decrease (increase) in loans and bills discounted | (70,187) | 2,374 | (844,102) |
| Net increase in deposits..... | 126,999 | 124,339 | 1,527,352 |
| Net increase (decrease) in negotiable certificate of deposits..... | 3,390 | (9,578) | 40,769 |
| Net decrease in borrowed money (excluding subordinated loans)..... | (1,491) | (602) | (17,942) |
| Net decrease (increase) in due from banks (excluding due from the Bank of Japan) | 444 | (447) | 5,340 |
| Net decrease (increase) in call loans and others..... | 93,945 | (44,729) | 1,129,826 |
| Net increase (decrease) in foreign exchange, assets..... | (302) | 344 | (3,639) |
| Net decrease in foreign exchange, liabilities | (90) | 144 | (1,094) |
| Interest received | 59,003 | 60,133 | 709,605 |
| Interest paid | (7,300) | (9,128) | (87,799) |
| Other, net | 3,875 | 3,339 | 46,609 |
| Subtotal..... | 177,013 | 87,306 | 2,128,845 |
| Income taxes received..... | — | 3,427 | — |
| Income taxes paid..... | (7,464) | (603) | (89,772) |
| Net cash provided by operating activities | 169,548 | 90,131 | 2,039,073 |
| Cash flows from investing activities | | | |
| Purchases of securities | (395,803) | (520,732) | (4,760,112) |
| Proceeds from sales of securities..... | 239,547 | 355,384 | 2,880,904 |
| Proceeds from maturities of securities..... | 76,232 | 71,333 | 916,811 |
| Increase in money held in trust..... | — | (2) | — |
| Decrease in money held in trust | 0 | — | 0 |
| Purchases of tangible fixed assets | (1,136) | (1,069) | (13,667) |
| Proceeds from tangible fixed assets | 19 | — | 234 |
| Purchases of intangible fixed assets | (1,703) | (615) | (20,492) |
| Payments for execution of asset retirement obligations | (6) | — | (79) |
| Net cash used in investing activities | (82,850) | (95,702) | (996,401) |
| Cash flows from financing activities | | | |
| Cash dividends paid | (2,034) | (2,034) | (24,469) |
| Cash dividends paid to minority shareholders | (3) | (3) | (44) |
| Purchase of treasury stock..... | (841) | (9) | (10,122) |
| Proceeds from sales of treasury stock | 603 | 0 | 7,256 |
| Net cash used in financing activities..... | (2,276) | (2,046) | (27,379) |
| Net increase (decrease) in cash and cash equivalents | 84,421 | (7,618) | 1,015,293 |
| Cash and cash equivalents at beginning of year..... | 46,502 | 54,120 | 559,255 |
| Cash and cash equivalents at end of year | ¥130,923 | ¥ 46,502 | \$1,574,548 |

* U.S. dollar figures have been translated at the rate ¥83.15 to U.S.\$1, the prevailing market rate as of March 31, 2011.

Directory

(As of July 1, 2011)

Organization Chart



Board of Directors, Corporate Auditors and Executive Officers

| <i>President</i> | <i>Managing Directors</i> | <i>Corporate Auditors</i> | <i>Managing Executive Officers</i> | <i>Executive Officers</i> |
|---------------------------------|---------------------------|------------------------------|------------------------------------|---------------------------|
| Kikuo Kato | Masaaki Okano | Nobuhiro Fukazawa (standing) | Hideo Nomoto | Teiji Komoriya |
| <i>Vice President</i> | Makoto Ishikawa | Hidemi Shimizu (standing) | Kenichiro Inaba | Takeshi Sekiya |
| Masami Kurihara | Hiroshi Shimao | Shozo Nishijima | Soe Iijima | Koichi Akagi |
| <i>Senior Managing Director</i> | Motonobu Nakamura | Emi Yano | | Minoru Watanabe |
| Tsuneshi Kurihara | | Atsumu Kuroishi | | Kazuya Koyama |
| | | | | Hiromasa Miyazaki |
| | | | | Yuichi Tanaka |
| | | | | Yoshiro Kenmochi |
| | | | | Kazumasa Nagahori |

Subsidiaries and Affiliated Companies

| <i>Name</i> | <i>Line of Business</i> |
|-------------------------------------------------|-------------------------------------------------------------------------------------------------|
| The Bugin Business Service Co., Ltd. | Clerical work for Musashino Bank |
| The Bugin General Lease Co., Ltd. | Leasing, factoring and corporate financing |
| The Bugin Guarantee Co., Ltd. | Loan guarantees for individuals |
| The Musashino Card Co., Ltd. | Credit card business (JCB, VISA), loans and loan guarantees |
| The Bugin System Service Co., Ltd. | Development, sale and maintenance of computer systems |
| The Bugin Economic Research Institute Co., Ltd. | Research into the regional economy, consultation, information services, and holding of seminars |
| The Bugin Capital Co., Ltd. | Management support for venture businesses |



The Musashino Bank, Ltd.

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